



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

*Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555*

February 1, 2016

**TO:** Chris Liu, Director  
Department of Enterprise Services

**FROM:** David Schumacher  
Director

**SUBJECT: SELECTION OF PROGRAMS AND SERVICES AT DEPARTMENT  
OF ENTERPRISE SERVICES FOR 2015-17 BIENNIUM**

RCW 43.19.008(5) directs the Office of Financial Management (OFM) to conduct a review of the programs and services performed by the Department of Enterprise Services (DES) to determine whether a program or service may be performed by the private sector in a more cost-effective and efficient manner than being performed by the department. Up to six activities and services may be selected by OFM each biennium under this review. In conducting its review, OFM is authorized to break programs into discrete services or activities or the programs may be reviewed as a whole. However, priority for selection shall be given to agency activities or services that are significant, ongoing functions.

For the 2013-15 biennium, OFM selected four activities: real estate leasing services for new leases and renewals, motor vehicle claims processing through resolution, support for Web portal, and printing and imaging services.

The competitive process for support for Web portal was not conducted during the 2013-15 biennium. This procurement was contingent upon DES not being able to enter into a contract with the apparently successful vendor from the 2011-13 procurement. After an extended amount of time working with the vendor to determine if a contract could be finalized, negotiations were terminated and a decision was made to begin a new competitive process. However, by the time this decision was made, it had been decided that this service would be moved to Consolidated Technology Services, if legislation were enacted. Due to the timing of this legislation, you were directed not to undertake the competitive process for this service. With this memorandum, the selection of the support for Web portal is withdrawn.

Of the other activities selected, the review of real estate leasing services and motor vehicle claims services resulted in a recommendation to conduct a pilot project that would include additional contracting activities, as well as developing performance measures and then tracking performance of staff and vendors. The information that will be obtained through these pilot projects are needed in order to make final determinations as to whether these services may be performed at a reduced cost and with greater efficiency in the private market. Because of the continuation of work for those two programs, OFM has decided to select only two new activities for the 2015-17 biennium.

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Based on our analysis, which is attached for your reference, we recommend that DES conduct a competitive procurement process to obtain bids from the private sector for the following activities: Surplus Property Operations and Parking Management.

In order for OFM to have sufficient time to review and analyze the data from the competitive procurements and have the decision reflected in the next biennial budget, if necessary, the results of these procurements should be provided to OFM no later than September 15, 2016.

If you have any questions, please contact Roselyn Marcus, OFM Assistant Director for Legal and Legislative Affairs at (360) 902-0434 or [roselyn.marcus@ofm.wa.gov](mailto:roselyn.marcus@ofm.wa.gov), or Cheri Keller, Senior Budget Assistant, at (360) 902-0563 or [cheri.keller@ofm.wa.gov](mailto:cheri.keller@ofm.wa.gov).

Attachment

cc: David Postman, Chief of Staff, Office of the Governor  
Tracy Guerin, Deputy Director, OFM  
Roselyn Marcus, Assistant Director for Legal and Legislative Affairs, OFM  
Cheri Keller, Senior Budget Assistant, OFM



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February 1, 2016

TO: David Schumacher  
Director

FROM: Roselyn Marcus, Assistant Director  
Legal and Legislative Services

*R. Marcus*

**SUBJECT: RECOMMENDATION FOR SELECTION OF PROGRAMS AND SERVICES  
AT DEPARTMENT OF ENTERPRISE SERVICES FOR 2015-17 BIENNIUM**

RCW 43.19.008(5) directs the Office of Financial Management (OFM) to conduct a review of the programs and services performed by the Department of Enterprise Services (DES) to determine whether a program or service may be performed by the private sector in a more cost-effective and efficient manner than being performed by the department. Up to six activities and services may be selected by OFM each biennium under this review. In conducting its review, OFM is authorized to break programs into discrete services or activities or the programs may be reviewed as a whole. However, priority for selection shall be given to agency activities or services that are significant, ongoing functions.

For each selected activity, DES must conduct a procurement process to determine if a contract for the activity could be performed at a reduced cost and greater efficiency. If OFM determines through the procurement process that the activity or service could be provided by the private sector at a reduced cost and with greater efficiency, DES may proceed with the contract.

I have conducted a review of DES activities for the 2015-17 biennium. This memorandum will provide the results of the review and recommendation as to which activities could be selected for this biennium.

**Statutory Requirements**

RCW 43.19.008(5) sets out the parameters for the review of DES activities. The review is the vehicle used to determine whether the program or service could be performed by the private sector in a more cost-efficient and effective manner than performed by DES. The statute specifically requires OFM to:

1. Examine each activity in regard to performance, staffing, capital requirements and mission. The activities can be examined either by discrete services or activities, or the program can be reviewed as a whole.
2. Examine which activities are available in the private sector and what potential efficiency gains or savings exist.

After the review is conducted, OFM must select up to six activities or services that have been identified as those that may be provided by the private sector in a more cost-effective and efficient manner. In making the selection, OFM is to give priority to activities or services that are significant, ongoing functions.

### **Review**

To start the review, I began with the analysis prepared for the 2013-15 biennium. That review contained two sets of information: (1) information about each agency activity and (2) information about the private market related to the activity. I first updated the information about each activity with the assistance of DES staff and other information available from or about DES. Activities were updated to reflect the current organizational structure, functions, and performance. The inventory was updated to also reflect the outcomes of the previous competitive contracting activities conducted pursuant to the statute referenced above. During this process, some activities were eliminated from consideration, while others were combined or broken out from larger program descriptions. Using this new alignment, updated market information was gleaned from various sources, including information provided by OFM's Forecasting and Research Division. Attached for reference is Exhibit 1, the updated review of DES programs and activities.

### **Recommendation**

RCW 43.19.008(5) requires OFM to select up to six activities for each biennium. In determining the number of activities to select, I reviewed the outcome of the 2013-15 biennium review.

For the 2013-15 biennium, OFM selected four activities, two of which were real estate leasing services for new leases and renewals and motor vehicle claims processing through resolution. The recommendation for these two activities was for DES to conduct a pilot project that would include additional contracting activities, as well as to develop performance measures and then track the performance of staff and vendors. The information that will be obtained through these pilot projects is needed to make final determinations as to whether these services can be performed at a reduced cost and with greater efficiency in the private market.

Because of the continuing work for those two programs, I recommend that OFM select no more than two new activities for the 2015-17 biennium for DES to conduct a competitive procurement process to obtain bids from the private sector. The two activities I recommend are: Parking Management and Surplus Property Operations.

In addition, I recommend that DES be given a deadline for when the results of the competitive procurement should be provided to OFM. For OFM to have sufficient time to review and analyze the data from the competitive procurements and have the decision reflected in the next biennial budget, if necessary, the results of these procurements need to be provided well before the end of the biennium. I recommend that the results be provided to OFM no later than September 15, 2016.

### **Parking Management – Basis for Recommendation**

DES Parking Management oversees the parking for employees and visitors on the Capitol campus. In its description of Parking Management, DES describes the activities as providing "direction, long-range planning, stewardship, rate setting, quality assurance, overall property management, and assignment of parking spaces and fees." More specifically, Parking Management manages more

than 7,000 parking spaces at the State Capitol and other facilities located around the state, providing parking to agencies, employees, and the visiting public in support of conducting state business. Parking is provided on a monthly, hourly, and special-permit basis.

The cost of Parking Management's duties and responsibilities is funded by a complicated set of fees. Attached as Exhibit 2 is the fee policy currently posted on the DES website. Although the staffing requirement appears to be small, there have been issues related to the program's work.

Parking Management is a function that can be performed by the private sector. A market review identified a broad range of regional and national parking management companies, including Diamond Parking, Standard Parking, Central Parking System, Republic Parking, International Parking Management, and ABM Parking Services. Some of these companies provide more services than currently provided by DES Parking Management. For example, Republic Parking, which began its operations in Tacoma in 1987, manages 10 locations for the city of Tacoma. In addition to daily parking management, Republic Parking provides valet parking, consultations, shuttle service and maintenance service. So there may be an opportunity to not only have reduced cost but greater efficiencies for this program.

#### **Surplus Property Operations – Basis for Recommendation**

Surplus Property Operations (also referred to as the Surplus Operations Program) receives and redistributes surplus items from state and public agencies, governmental entities and private non-profit organizations. However, DES does not accept computer software and hazardous materials. Agencies must handle these items themselves.

To access Surplus Property Operations, these entities submit a request on the DES online property disposal system. DES will assign one of the following actions to take, as described on its website:

- Will Inspect – There is a question as to how best to sell your item. Someone from Surplus Operations will visit your site to make a determination on how it should be sold.
- Will Sell at Agency Location – The item will remain where it is and be sold online.
- Will Pick Up – The item will be picked up within 30 days.
- Requests Agency Ship to Surplus – You will need to make arrangements to ship the item to our warehouse.
- Requests Agency Sell – You can sell the item directly.
- Other – This is used to allow you to donate the item, or for other types of disposal not covered by the above actions.

In addition, several times a year, the federal Transportation Security Administration delivers to the Surplus Operations retail store various items it has confiscated because they are prohibited from being taken on an airplane. Individuals can provide a detailed description of a confiscated item, and DES will let them know if that item has been delivered to it for sale.

Items also may be sold through an online auction system. DES contracts with Public Surplus, LLC to manage its online auctions. In addition, DES maintains a retail store where it maintains property and allows the public to come in for purchase. Located in Tumwater, the store is open Tuesday through Saturday, excluding state holidays.

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There are a number of online auction sites that may be able to dispose of more property than the current contractor. This would eliminate the need for storage and a retail store. In addition, it may be fruitful to explore whether the private sector has other vendors that handle property disposal, including disposal of computer software and hazardous materials. This could lead to reduced cost and greater efficiency.

### **Conclusion**

Based on this review, I recommend either one or both of the services described above be selected for a competitive process to test the private market. If you have any questions, please contact me.

### **Attachments**